

Can co-creation lead to better strategy? An exploratory research

Koen Tackx and Paul Verdin

In this article, we propose co-creation as a more efficient and effective way of formulating and implementing strategy. We rely on the foundations of procedural justice theory which states that when a decision making process is considered as “fair”, people to whom the process is applied demonstrate a higher level of trust and commitment. A fair process implies that people can voice their opinion and feel part of a group. These two requirements are often not considered enough in “traditional” strategy processes. We identify co-creation as a tool to address the fair process requirements of being heard and belong to a community. Taking these requirements into account will improve both the strategy formulation (e.g. because more and better ideas are generated) and the strategy implementation (e.g. because of a larger buy-in of middle management). Using an exploratory co-creation research setting we explored to what extent corporations are actually following fair process principles in their strategy creation process and what is their appetite for strategy co-creation. From this test, it appeared that major concerns exist with respect to the current strategy creation process and a strong desire to introduce co-creation principles and techniques in that process. Finally, we propose a conceptual model explaining how fair process can be applied through co-creation and lead to improved strategy selection and implementation. As such, we aim to contribute to the analyses of the drivers, the potential and the application of an “open strategy” approach.

Keywords: Procedural Justice, Fair Process, Strategy Creation, Strategy Implementation, Co-creation.

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Can co-creation lead to better strategy?

An exploratory research

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ABSTRACT

In this article, we propose co-creation as a more efficient and effective way of formulating and implementing strategy. We rely on the foundations of procedural justice theory which states that when a decision making process is considered as “fair”, people to whom the process is applied demonstrate a higher level of trust and commitment. A fair process implies that people can voice their opinion and feel part of a group. These two requirements are often not considered enough in “traditional” strategy processes. We identify co-creation as a tool to address the fair process requirements of being heard and belong to a community. Taking these requirements into account will improve both the strategy formulation (e.g. because more and better ideas are generated) and the strategy implementation (e.g. because of a larger buy-in of middle management). Using an exploratory co-creation research setting we explored to what extent corporations are actually following fair process principles in their strategy creation process and what is their appetite for strategy co-creation. From this test, it appeared that major concerns exist with respect to the current strategy creation process and a strong desire to introduce co-creation principles and techniques in that process. Finally, we propose a conceptual model explaining how fair process can be applied through co-creation and lead to improved strategy selection and implementation. As such, we aim to contribute to the analyses of the drivers, the potential and the application of an “open strategy” approach.

CAN CO-CREATION LEAD TO BETTER STRATEGY?

AN EXPLORATORY FRAMEWORK.

INTRODUCTION

In most large companies, senior management invests a significant amount of time and energy in formulating and implementing a strategy, which typically consists of a vision for the future, longer term priorities and an associated competitive posture. The “strategy creation” process – the process of (1) formulating and (2) implementing a strategy – has been under discussion for decades in both the academic literature as in the corporate world. These discussions apply as well to the very nature of the process (e.g. are formulation and implementation two dichotomous activities?), to the efficiency of the process – too time consuming and mobilizing too many parties- and to the effectiveness of it –not leading to implementation of the “right” strategy.

The procedural justice theory -stemming from psychology and law- states that when a decision making process is considered as “fair”, people to whom the process is applied demonstrate a higher level of trust and commitment. Procedural justice theory makes a clear distinction between the fairness of the process and the fairness of the outcome, though perceived fairness of the outcome depends strongly on the fairness of the process. Procedural justice was translated into management and referred to as “fair process”. Applying fair process has proven to generate a positive impact in multiple fields of the management domain.

Relying on the principles of fair process theory, we explore the potential benefits of co-creation as an alternative mode of strategy creation. Co-creation refers to the involvement of influencers in the decision making process. Co-creation techniques have been around since a longer period of time in the strategy field but nowadays the co-creation technique called crowdsourcing offers new and powerful opportunities. Originally stemming from the marketing research domain, crowdsourcing refers to the use of web-enabled technology to consult a large amount of people in a very short period in time, in a very structured manner.

The structure of this paper is as follows: in the next section we discuss briefly procedural justice and its relevance for strategy implementation. Afterwards we will assess the traditional methods for strategy creation with respect to fair process. Then we will propose co-creation as an alternative approach to strategy creation and evaluate also its “fair process potential”. We will also present the results of an exploratory research, itself conducted taking into account the fair process principles and using crowdsourcing techniques. As a conclusion, we will propose a conceptual model, including propositions for further research and relevance for the strategic management practice.

PROCEDURAL JUSTICE AND STRATEGY CREATION

In his seminal work -“A Theory of Justice”- Rawls (1971, 1999) saw the necessity for a set of principles of social justice to “provide a way of assigning rights and duties in the basic institutions of society”. These principles should regulate interactions, agreements and government. “Perfect” procedural justice requires both an independent criterion for what is a fair division and a process to reach that required outcome. As an illustration of perfect procedural justice, Rawls (1971, 1999) mentioned the classic example of dividing a cake between two men: let the first one make the split, let the other one choose. By origin stemming from psychology and law, procedural justice theory states that if a decision making process is considered as “fair”, people to whom the process is applied demonstrate a higher level of trust and commitment. Procedural justice theory makes a clear distinction between the fairness of the process and the fairness of the outcome. Applying a fair process is expected to “trigger the following chain reaction: fairness generates trust, trust leads to commitment, commitment ensures effort and effort is essential for success in the global economy” (Hosmer, 1994). Figure 1 represents this thinking.

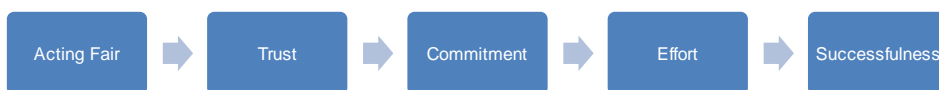


Figure 1: Fairness-success chain, to represent Hosmer (1994)

Whereas scholars remained very normative and mainly in the field of legal theory and practice for a long period of time, Kim and Mauborgne (1998) used empirical research in the field of (international) management in order to develop additional thoughts and applied the discipline of “procedural justice” to the strategic decision making process and defined three principles as the basis of a “fair process”: engagement of the employees by asking them for their input and allow them to discuss other’s ideas and assumptions, explaining why final decisions were taken and clarity of the expectations towards the individual once a decision is made. Van der Heyden et al. (2005) enriched the principles laid out by Kim and Mauborgne (1998) and defined five crucial elements to be respected throughout leadership processes: (1) communication and voice (i.e. listening to those involved), (2) clarity of information, process and expectations, (3) consistency in decision taking (i.e. no bias), (4) changeability and (5) a systematic commitment to fairness.

The benefits of applying fair process in a professional environment are numerous: more satisfied and loyal employees, a culture that fosters innovation, creating goodwill with customers, more support for new strategies,... (Brockner, 2006). There are also strong correlations found between the degree of compliance to their fair process steps and the performance of both the strategic product planning and serial development process (Van der Heyden and Limberg, 2007). Procedural justice becomes even more important when outcome fairness is low. This would suggest that the importance is increasing in processes like lay-offs, restructurings, outsourcing or drastic change in strategy (Brockner and Wiesenfeld, 1996).

The effectiveness of fair process can be explained by the catering for two basic human needs: a) a voice-effect: because people are allowed to give their opinion, their perception of the control they have on the process and outcome increases and b) a group-effect: because people are treated fair, they feel that their basic need of belonging to a group is better fulfilled. The voice-effect -also called “material self-interest” (Johnson et al, 2002)- is driven by self-interest because there is some control

of the process, individuals can steer decisions in the direction they want (Kim and Mauborgne, 1998). This effect is so strong that it remains even present when stronger mechanisms exist to influence the outcome or even when it is complete useless to give an opinion (Tyler and Lind, 2000). The group-effect -also called “relational concerns” (Johnson et al, 2002)- refers to the need to belong to a group, also because of the emotional and intellectual respect that is implied (Kim and Mauborgne, 1998). This effect is explained by neutrality, trust and respect. All three elements need to be present in order to satisfy the need of belonging to a group and the need of a satisfactory standing within this group (Tyler and Lind, 2000).

We note that voice and group belonging coincide with the principles of applying open strategy namely increased transparency with respect to process and outcomes greater inclusiveness of various actors (Whittington et al, 2011). It is to be pointed out though that the actual decision in a fair process remains in the hands of the decision takers. On the other hand, it is important that participants can believe that their input will be taken into account, otherwise participation will decrease substantially (Fuller et al, 2013). In the next part we will give a brief overview of the different approaches to the strategy creation process as previously discussed in the literature.

TRADITIONAL STRATEGY CREATION AND FAIR PROCESS

Traditional strategy thinking stresses the necessity of having a formulated strategy: “strategy cannot be implemented until it has been formulated” (Grant, 2013) with a strong focus on the (planning) process on how to come to this formulation in particular the conversation between the members of the organization that lead to the eventually chosen strategy. Questions were raised whether such a typical strategy creation process is not too formal, too much driven by top management, not stimulating creativity, too time consuming or not leading to actual strategic decisions, as “strategy discussions tend to be diffuse and unstructured, only rarely designed to reach good decisions quickly” (Mankins, 2004). As a result of these drawbacks, an “organic” perspective on strategy emerged where strategy consists of “co-aligning coordination of

goals and actions” (Farjoun, 2002). Continuous feedback and interaction within the organization and with the environment are preeminent. Such a more “emerging” approach can circumvent some of the issues linked to traditional planning techniques but also has some drawbacks. The lack of a (formal) strategy formulation process can make the corporation too focused on the short term or too focused on the internal organization, rather than on the external environment. Other risks include that the resulting strategy is too implicit in the actions, i.e. is defined by only one person, not endorsed by the rest of the management team, let alone by the organization at large. The lack of an endorsed strategy can then lead to a lack of direction (different parts of the organization focus on different paths to the future), a lack of innovation or wrongly focused innovation and/or a lack of accountability (people just execute tasks).

The link between formulation and implementation is key though in order to ensure the successfulness of the strategy as formulation and implementation cannot be separated from each other (Mintzberg, 1990). Verdin and Van Heck (2001) made this link even more explicit: “the wider and deeper the involvement of the entire organization in the reflection and formulation, the more the “implementation” or “action problem” will evaporate”. Brews (2003) stated it clearly: “never formulate a plan you are unlikely to implement; nor implement a plan you did not help formulate”, also because “more responsible formulation is likely when formulators know they will be required to Implement the ideas they suggest”. Or as one of the founders of Texas Instruments Patrick Haggerty putted it “those that implement the plans must make the plans”.

The engagement element combining knowledge and agreement was researched amongst others by Korsgaard et al. (1995) who find that seriously considering the opinions of managers while preparing a strategic decision, they saw the process as fairer, had greater commitment to the decision greater attachment to the team and greater trust in the leader. One step further is to see strategy creation as a “conversation”, looking for a coherent pattern in the conversations that individuals in an organization have in order to adapt the corporate intent (Liedtka and Roseblum, 1996). Wider participation in such conversation improves also the execution of the of the

strategy choices. A successful strategy selection and implementation has the valuable benefit that it can be repeated in the majority of cases. Amongst the most successful companies with respect to sustained profitable growth, more than three quarters followed what they called a “repeatable” model: applying core assets to new situations what can be seen as the closest integration of formulation and implementation (Zook and Allen, 2012).

Following a “procedural justice” approach in strategic decision taking and execution proved to be successful (Kim and Mauborgne, 1998). Making a clear distinction between the “quality” and the “execution” of strategic decisions, they reasoned that applying procedural justice in the decision making process, will not only lead to a better strategy but also to a better strategy execution.

If we look at traditional ways of creating strategy, we often observe shortcomings as well in the formulation as in the implementation phase. In companies that use traditional planning techniques, there is a clear risk of not respecting the fair process principle of people allowing to voice their opinion as well in the formulation and evaluation stage. As in such organizations, the formulation of the strategy is often in the hands of a limited number of executives to be implemented afterwards by the organization. Feedback loops are rarely organized frequently enough. The strength is though that the strategy formulation is clear as the expectations for the organization through a cascading process in tactical and operational plans ensure a consequent execution. As the strategy is “carved in stone”, feedback loops are in general absent or not organized frequently enough.

Attention to the communication of the strategy before implementation most important when companies follow a more “emerging” approach to strategy. These companies involve a broader platform of managers in the creation phase, nevertheless as by definition the strategy “emerges” from the actions, the expectations for the organization are often not clear enough hence jeopardizing a rigid execution. On the other hand,

companies following this approach are apt to correct strategic directions when required by environmental changes.

In the next section we will propose co-creation as an alternative process to create strategy in light of its fair process potential.

CO-CREATION AS AN ALTERNATIVE

Co-creation became very popular in the marketing research and practice and was defined as the role customers could play in “education, shaping expectations, and co-creating market acceptance for products and services” (Prahalad and Ramaswamy, 2009) and is particularly applied in the research and development environment as witnessed by the open innovation literature (Chesbrough, 2003). As an example, IBM used massive parallel conferences to capture ideas that could stimulate innovation, in 2006 150,000 people from inside and outside the company were involved in their innovation “jam session” which proved to be successful with respect to idea generation (Bjelland and Wood, 2008). There are nowadays a growing number of companies like Red Hat, 3M, Rite Solutions and AEGON using co-creation as a core part of their strategy creation process; at HCL 300 managers posted their business plans, afterwards more than 8000 employees were invited to comment these which led to important improvements in results (Gast and Zanini, 2012).

The benefits of involving wider groups of people in decision making processes are clear: “under the right circumstances, groups are remarkably intelligent, often smarter than the smartest people in them” (Surowiecki, 2005). As such, the quality and the variety of the output increases (Chesbrough and Appleyard, 2007). In order to reach this collective wisdom, people in the group should have diverse opinions, are able to bring them independently and an aggregation mechanism should exist. Results from homogeneous groups or groups with only “experts” underperform heterogeneous groups. Surowiecki (2005) suggested also that the effectiveness of group decision making increases in line with the importance of the decision.

In addition co-creation of strategy can generate improvements not only on the quality of the chosen strategy because of a larger variety of ideas but also on the effectiveness of the implementation. Because the inputs of the “the field” is taken into account, a larger knowledge platform is available and a de facto reality check for the selection of the strategy is present. Implementation is also enhanced because of increased understanding and commitment (Whittington et al, 2011). Another reason why the quality of strategy benefits from involving different views and peer pressure is “because the managers knew that the plans would be reviewed by a large number of people, including their own teams” (Gast and Zanini, 2012). Afterwards, execution becomes more effective thanks to the presence of “enthusiasm and alignment” (Gast and Zanini, 2012).

Another, perhaps counter-intuitive benefit is that strategic decision making can be accelerated as fast strategic decision making and hence performance can be driven by a greater use of real-time information, a greater number of alternatives considered, a greater use of internal counselors, a greater use of active conflict resolution and a greater integration among strategic decisions (Eisenhardt, 1989). Co-creation can accommodate for all five of these elements which are of great importance in today’s uncertain business environment. We would also like to highlight how co-creation can enhance the development of “dynamic capabilities” that focus on how competences evolve in (rapidly) changing environments as “sustained competitive advantage comes from the firm’s ability to leverage and reconfigure its existing competencies and assets in ways that are valuable to the customer but difficult for the competitors to imitate” (Harreld et al, 2007). But in order to reach this, it is required that leaders possess both “strategic insight” and “strategic execution”.

At IBM, a variety of platforms were put in place in order to ensure alignment and commitment in strategy execution (Harreld et al, 2007) as well as in optimizing existing business as while exploring new opportunities. An enriched view of reality is seen as a key benefit of having “strategic conversations” throughout the organization (Liedtka and Roseblum, 1996). They also focused on the requirement to have “strategic thinking at

the individual level as well as the ability to use this input into a larger conversation.” They even suggested that the mastering of the process of involving a broad platform of managers in the strategy creation process leads to a competitive advantage (what they call a “meta-capability”).

As there is also important drawbacks and learning involved it is important to see the opening of strategy as a process, not as a final state (Whittington et al, 2011): different techniques were developed already since the 1960’s such as Future Search Conference, Real Time Strategic Change and Strategic Options Development (Bryson and Anderson, 2000). These techniques require large group of managers to be engaged in workshops that can encompass multiple days. One disadvantage of such public gatherings is that a number of “political” behaviors are displayed: people try to expose themselves and ideas of more powerful people are likely to be more endorsed than ideas of less powerful people. Another drawback might be that participants that are fearful from reactions and hence participate less and if they do less intensive (Fuller et al, 2013). As hierarchy has some nasty side-effects, a situation without hierarchy creates “greater initiative”, “increased flexibility” and “better decisions” (Hamel, 2011). The more recent technique of crowdsourcing could accommodate for most of this shortcomings if applied correctly.

Crowdsourcing

In the marketing research domain by using web-enabled technology, companies have the possibility to engage with a large amount of customers in a very short period in time, in a very structured manner, allowing them to ask for their input on the offering of the company. This web-based application of co-creation is called crowdsourcing.

Crowdsourcing (or “jamming” as it is referred to for internal use, Whittington et al, 2011) can be used not only to develop new products, but also to stimulate innovation inside organizations, enhance b2b relationships, and improve strategy creation processes (Ramaswamy, 2010). At Cisco for example, the strategy and decision making processes involves 750 executives, with the objective to increase the speed and quality

of the decision making as well as to improve the implementation and performance management afterwards. Another example is Daimler where more than 30.000 employees registered on a business innovation platform (Fuller, 2013).

Thanks to web based technology, co-creation platforms can be set-up in a more efficient and effective manner, limiting also the “political” factor embedded frequently in strategy discussions. An example is the “DialogTag” project, which is a software platform used for intra-company discussion on topics like the future of the company and improvement points (Stieger et al., 2012).

Verdin et al. (2011) used the input gathered on a platform called Synthetron for an analysis of what are key elements in strategy implementation. In a Synthetron session, a moderator guides participants (managers, staff, and project team members) through an engaging reflection process (from feedback to co-creation) on the specific topics that matter. Participants share, discuss and evaluate their ideas real time, collaboratively filtering their shared short list of most important ideas out of the discussion”. Verdin et al (2011) saw that “Synthetron provides a way to purposefully crowdsource – engaging many (up to 1000) unthreatening (anonymous) peer discussions online from their own PC”.

Whereas the DialogTag and Innovation Jam discussions take multiple days and Daimler’s Innovation is open permanently, Synthetron sessions can be effective in as little as one hour. Statements and questions are put forward and participants can react immediately. There is a strong push to “rate” the input of others, which determines the trajectory the input within the population prioritize inputs with a high consensus (i.e. Synthetrons). Communication through “ambient” signals like polls and voting lowers the threshold to capture dissenting voices (Gast and Zanini, 2011).

The combination of anonymity and the push to “rate” the input of the others amplifies the power of the platform without giving a “platform to the power”. Whereas in more conventional strategic conversations, the “idea of the hierarchy” is likely to attract more

attention regardless of the quality of what was put forward by the higher in rank, the Synthetron methodology enables the “hierarchy of the idea” to prevail.

In the table below we highlight the potential benefits of a web based approach.

Table 1: Benefits of web based crowdsourcing

1. participants can remain anonymous and can communicate more freely while political profiling can be minimized
2. people that do not feel at ease to speak up in large groups might feel more at ease writing down their thoughts on a computer
3. the number of ideas are multiplied as people can introduce comments simultaneously and in general, written condensed comments are absorbed quicker than oral elaborations
4. immediate feedback loops can be introduced
5. written statements are generally more reflected upon than oral discussions
6. a distributed random table setting allows to scale the conversation to very large numbers, while the collaborative filter and migration of ideas depending on their rate ensures that inputs that obtain higher rates are distributed further
7. real time interaction, brings focus and inspiration

The benefit of co-creation is that it might address all the different requirements of a fair process. For the definition of the strategy, a large group of people is consulted, not only to list the key issues to be addressed, as well as to provide solutions. As managers are involved from the earliest creation stage, expectations are better understood ensuring a smooth and disciplined execution. It is important though to go beyond the use of co-creation for the design and implementation phases but also to establish a similar open platform to evaluate decisions taken in the past.

Pitfalls of co-creation

While there are a large number of benefits linked to co-creation, some pitfalls have to be highlighted. There is a risk that self-interest prevails: people only put forward elements

defending or enhancing their own position. People make a “benefit-effort trade effort” will decide to limit their participation if they do not perceive their contribution will be taken enough into account compared to the effort they have to put in (Fuller, 2013). On the other hand the number of “what’s in it for me” remarks was find to be surprisingly low in co-creation discussions (Verdin et al 2011).

A second risk is that in an open platform, people converge towards the mainstream idea and avoid big step changes. Hildebrand et al. (2013) observed a tendency to conform to the mainstream ideas when people where giving feedback on social media platforms. An appropriate research set-up might mitigate this risk. Sibony et al (2012) suggested to highlight extreme feedback like e.g. Amazon does: “the most helpful favorable review and the most helpful critical review”. Alternatives may be to “force” people not to evaluate in a neutral way by using pair scales.

The risk of loss of confidentiality of the strategy formulation needs to be considered: involving a large number of people increases the risk that changes in strategic direction become public. This might be annoying in some cases like specific M&A or competitive moves (e.g. pricing). Therefore, the confidentiality of the process should be explained and assured towards the participants. Also, it is not always necessary to be very precise with respect to the projected actions, e.g. “acquiring a number 2 or 3 player in Central Europe” is something else than ranking a list of 5 company names. It may be noted that secrecy is often used as an excuse for not openly debating certain issues. Moreover, it might be considered whether or not the benefits of having a “secret” strategy outweighs those of an “open strategy” if the competitive advantage lies more in the execution than in definition. As such an “open” approach to strategy might be the path forward (Chesbrough and Appleyard, 2007).

A last possible drawback is that decision takers might feel constrained to follow the path forward suggested by “the crowd”: from procedural justice theory it became clear that it is most important to show a genuine interest for the ideas, although choosing another direction is perfectly legitimate for the management. One key element of co-creation is

that it is not about democracy, but about improving the process in order to come to a better outcome by enriching the debate towards more informed decisions.

Our conclusion is that co-creation can significantly improve the efficiency and effectiveness of the strategy creation process as well decrease the political bias often embedded in this type of process. Efficiency because a large number of people in the organization can be consulted in a very short period of time and because involvement of a large number of people leads in general to a quicker implementation afterwards. Effectiveness because a more important level of involvement is likely to increase the quality of the chosen direction because of a richer view on the reality but also a more successful implementation afterwards. It should be clear from the beginning of the process that the actual decision taking remains in the hands of the responsible manager(s).

In order to explore how the strategy creation process is currently run in practice and to look into the appetite for co-creation, an exploratory and qualitative research was set-up. In this research we tried to respect ourselves the different requirements of fair process.

AN EXPLORATORY RESEARCH

Research set-up

An exploratory quantitative and a qualitative co-creation research setting were created in order to test to what extent fair process principles are respected in “traditional” strategy creation processes and what is the appetite for “co-creation” approaches. Applying a “co-creation” research setting to investigate potential for “co-creation” creates opportunities for additional insights, as the research method is part of the research subject. The Synthetron platform as described above was used to assess to what extent fair process principles are respected in strategy creation processes. A number of experts in the domain participated as well as in a poll as in an online anonymous and moderated discussion with the possibility to evaluate the ideas of the

other participants. The advantages of using the Synthetron platform include the anonymity, the immediate feedback loop and the instantaneous hierarchical ranking of ideas.

Using this online anonymous discussion forum, participants were invited to answer a number of open-ended questions and to evaluate the responses of the other participants. Statements and questions are put forward and participants can react immediately. There is a strong push to “rate” the inputs of others, these inputs are ranked in order to prioritize inputs to which the other participants reacted the strongest (i.e. synthetrons). Whereas in more conventional strategic conversations, the “idea of the hierarchy” is likely to attract more attention regardless of the quality of what was put forward by the higher in rank, the Synthetron methodology enables the “hierarchy of the idea” to prevail.

For the research, 21 senior managers involved in the strategy creation process of their companies participated in the actual session which took place in the spring of 2013. 71 percent of the participants were actually responsible for running the strategy creation process at their respective companies, the remainder were either participating in it or advising their clients. The vast majority came from continental Western-Europe, with Belgium, France and the Netherlands as most represented countries. More than 80 percent worked in a service industry, less than 20 percent in manufacturing. They were asked to answer questions on sliding scales, to elaborate on their answers and rate the responses of the other participants on a continuously sliding scale from “oppose” to “agree” with a midpoint nominated as “not useful”.

The questionnaire that was inspired by the fair process model suggested by Vanderheyden and Limberg (2007) and was tested and validated with in-depth interviews of managers of different types of companies and industries. The final questions asked can be found in appendix 1.

The input of the exploratory part demonstrated that the satisfaction of senior executives involved or responsible for strategy in their company with their strategy process, is mixed at best, with more than 30 percent rating it as unsatisfactory, and less than 20 percent qualifying it as rather good or very good. Moreover, 2/3 of these respondents reported that only top management and senior executives get involved or are consulted in defining the strategic issues, with middle or lower management being involved in only 1/3 of the companies. When it comes to making the final strategy decisions, this is practically exclusively done by top management alone (80 percent+) with the exclusion even of senior management (10 percent) and lower management (10 percent). In less than 10 percent of the companies is the strategy – thus decided – also implemented as such, in another 18 percent “more or less”, and in the vast majority regularly adapted or deviated from a lot (almost 3/4 of the cases). It is hence no surprise that everyone taking part in the session (100 percent of respondents) agreed –albeit to different extents- that “co-creation will significantly improve the value of the strategy”.

The core of this study, the textual reactions to the questions as well as the evaluation of the answers of the other participants resulted in 171 reactions of which 45 are considered as “synthetrons” (those that receive strong reactions of the other participants). As a number of the messages included different messages, we duplicated these reactions, so we ended up with 83 relevant messages. A two-step axial coding was applied to these 83 messages and those were clustered into 10 categories. Starting from the results of the axial coding, the “synthetron” answers are summarized in the following two tables.

Table 2: Shortcomings and conditions of current strategy processes

Shortcomings of current strategy process

- It is not such an easy path: communicating and executing a strategy is very difficult. Key is to keep it simple for everyone to understand. But also to be consistent in decision making and linking decisions to the strategy. Different approaches are required depending on the type of organization.
- Lack of vision, creativity and long term focus.
- Deviation from objectives might be cumbersome.
- Insufficient time is allocated for this important process and internal politics can negatively impact a quality outcome.

Key conditions to be put in place for the process to be successful

- It should integrate both internal and external trends and allow adjustment in function of these trends.
- There is a need to translate the strategy into a structured plan with clear (financial) indicators and appropriate monitoring.
- It should involve the organization at large with cross-functional teams. People should be able to adopt diverging perspectives but final decision is to be left to the senior management (with a risk that they are not connected enough to reality), that is to stand unanimously behind the chosen direction.
- The strategy should be conveyed to the whole organization, highlighting the “what’s in it for me” element and considering the “change management” aspect.

The above is clearly supporting the majority of concerns raised by managers and scholars on the strategy creation process throughout the years. The next table summarizes the conversation with respect to the opportunity of co-creation.

Table 3: Benefits of co-creation and considerations on implementation

Why co-creation?

- It takes better into account the "reality".

- It fosters a higher level of involvement, leading to higher motivation, more buy-and better execution hence a higher quality strategy.

Conditions to make co-creation successful

- It will require a cultural change, often already underway due to the faster pace of change in the business environment.
- A wide range of ideas and opinions are to be considered even involving “outside” players.

Obstacles and limits of co-creation

- In some cases, there still is too much of a top down culture which might create reluctance of some staff to be involved.
- Co-creation is no substitute for management decision.

The theoretical arguments underlying the fair process theory are endorsed by the managers participating in the conversation, though they also list a number of conditions to be fulfilled in order to overcome potential pitfalls.

CONCEPTUAL MODEL AND PROPOSITIONS FOR FURTHER RESEARCH

Traditional strategy creation techniques seem to embed a trade-off between engagement during the definition process and clarity of expectations during the implementation process. Yet, both elements are necessary to guarantee procedural justice and hence effective implementation of the “right” strategy. Co-creation techniques might bring a solution to this trade-off. Thanks to web-based technology, a large platform of managers can be consulted in a cost-efficient and non-conflictuous manner. Of course, the selection of strategy will require managerial decisions, nevertheless, if these decisions are clearly explained and translated into comprehensible objectives, there is a much wider platform to translate the strategy into effective implementation.

Our view on how applying crowdsourcing to the strategy creation process could drive firm performance eventually is demonstrated in the conceptual model below.

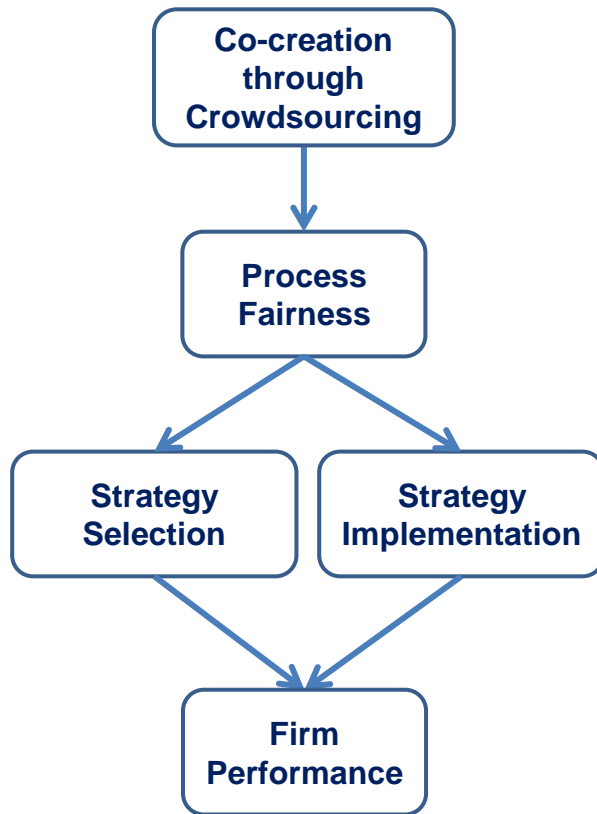


Figure 1: Overview of the conceptual model and propositions for further research

Proposition 1: Crowdsourcing techniques can make co-creation more efficient, more effective and reduce the “political” bias. As such applying co-creation in strategy creation leads to increased perceived process fairness.

Proposition 2: a more fair process leads to a “better” strategy selection and proposition 2b: a more fair process leads to a “better” i.e. more efficient and effective strategy implementation.

Proposition 3: a better strategy selection AND a better strategy implementation improve the firm's performance

Starting from the top of the graph we suppose that crowdsourcing can empower the co-creation approach by involving a large number of stakeholders in a time-efficient and anonymous manner. As the principles of the fair process theory can easily be embedded in co-creation the benefits of this theory can be reaped. These benefits are expected to lead to a "better" strategy, both from a conceptual and an executional point of view. Finally, an appropriate strategy creation is supposed to enhance the performance of the firm over the longer term.

Testing the above mentioned propositions is not evident at this point in time, as very few firms apply co-creation techniques for their strategy creation process (yet). One possible path might be to identify companies using this type of techniques, as well as finding "similar" companies with respect to industry and size but that do not use co-creation techniques. The objective would be to compare qualitatively "pairs" of companies that are similar in most aspects with the exception of the co-creation element. A case study qualitative approach might be the most appropriate. In order to test propositions 1 and 2, we are eager to suggest using co-creation platforms to the largest extent possible. From our experience in the exploratory research described in this article we feel confident that a beforehand validated questionnaire can address the ideas behind the conceptual model presented above. With respect to proposition 3, using "real" financial data to compare the different "pairs" can provide stronger proof than performance perceived by the managers. An alternative might be to set-up a more traditional "questionnaire" based approach researching a larger set of companies to assess to what extent fair process and co-creation is embedded in the strategy creation process and what the impact is on the performance of the firm. Following such an approach a quantitative analysis might be used to assess the statistical relevance of the different propositions. A key element in selecting this data is to pick the appropriate time horizon as by their very nature, strategic decisions take in general a significant amount of time

to get implemented and deliver results.

IMPLICATIONS FOR MANAGEMENT PRACTICE

The implications for management practice are clear: involving a larger amount people while preparing strategic decisions has two key benefits: more and higher quality ideas and a better implementation because of a reality check with people from the “field” upfront and buy-in because of the consultation. While setting-up such a discussion it is important that the voice of each participant has the same weight (“power of the idea” instead of “the idea of the power”) and that it is clear from the beginning that the focus is on preparing the decision, not on the actual decision itself (“strategy is not a democracy”). A crowdsourcing platform might be the most appropriate in order to accommodate the above. It has numerous benefits including the low throughput time, the limited time involvement of the concerned people and the possible anonymity. Once the decision is taken, it is crucial to communicate very clearly what is the chosen direction and why it was selected. A disciplined implementation is crucial in order limit time to implement to the largest extent possible.

CONCLUSION

The procedural justice theory has proven its validity for enterprises for formulating and executing strategy. Using co-creation and in particular crowdsourcing, a company can bring strategy creation to a wider group of relevant actors literally and figuratively. While taking the guidance for a proper fair process into account, co-creation brings the possibility to unlock the full potential of an organization to build a superior strategy and increase the implementation effectiveness. The application of such an application can happen in a wide area: from product or service innovation over diversification to more internal oriented change programs. The potential for a co-creating approach and its ability to address the shortcomings of “traditional” strategy creation processes were confirmed by an exploratory qualitative research itself using on a co-creation platform.

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Appendix 1: Questionnaire used in the Synthetron session (corrected for typing errors and omitting practical guidelines):

Q1: Take a moment to reflect about your company's overall strategy process (from formulation, decision, communication, implementation to evaluation and adaptation). How would you rate it? Please explain your choice.

Q2: Who is today involved and/or consulted in your company to define the strategy questions/options? Please share your experience whether you feel this works well?

Q3: Who is involved within your organization in making the final strategy choices? Please share your experience whether you feel this works well?

Q4: Now please reflect on how the strategy is communicated and explained across your organization. Please share in your own experience what works well. What kind of best practices can you share with your peers?

Q5: Once the strategy is decided, how well you we stick to the implementation?

Q6: "How far do you agree that "co-creation will significantly improve the value of the strategy"? Please share why (not).